

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



October/November
2006

2007 Session of the Kentucky General Assembly

The 2007 Session of the Kentucky General Assembly convenes January 2, 2007. As with all sessions of the Legislature, KTRS will use this time to remind members of the General Assembly of the importance of funding KTRS medical insurance for retirees. KTRS will also continue to educate legislators about the value of a defined benefit pension plan, not only for

KTRS members, but for the Commonwealth as a whole.

The Board of Trustees is considering "housekeeping legislation" for the 2007 Session that would largely make technical corrections and clarifications. The suggestions for these proposed amendments were made by retiree and education groups, as well as KTRS staff.

Opportunities for Savings in the KTRS Medical Insurance Fund

KTRS is reviewing and taking advantage of the options under the Medicare Modernization Act of 2003 that will enable cost containment within medical and prescription drug programs. Many entities like KTRS are choosing to keep their drug plans primary, while seeking the available subsidies offered by Medicare. They are also moving or contemplating a move to a Medicare Advantage Private Fee For Service Plan, as the Medicare medical subsidies are deeper than those with traditional Medicare Parts A and B. (See page 3 for more information about this plan).

These savings initiatives are not guaranteed to last indefinitely. However, the KTRS Board of Trustees views as part of its fiduciary responsibility the obligation to contain costs where practical without shifting costs to members or decreasing members benefits, even if the savings measure is only available for the next few years. The recent changes to Medicare have been the greatest seen in 40 years, and the savings afforded by these changes are substantial enough to provide a positive impact on the KTRS Medical Insurance Fund.

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KTRS, through its non-partisan involvement with groups such as the Public Sector Healthcare Roundtable, will continue to monitor any federal initiatives that will produce savings and help to maintain valuable medical and drug benefits for Kentucky educators.

Retirees Under Age 65

2007 Kentucky Employees Health Plan

KTRS mailed open enrollment packets to under age 65 retirees/covered spouses at the end of September. There were positive benefit changes for 2007*. The 2007 Open Enrollment was a passive enrollment, meaning that if you did not complete an application by the October 27, 2006 deadline, your 2006 election would continue for 2007 (at the 2007 rate).

**2007 Positive benefit change - In 2006, retirees must fill three 30-day (maintenance) prescriptions in order to be eligible for the 90 day mail order (or participating retail pharmacies) for two-months co-pay benefit. In 2007, retirees will only need to fill one 30-day (maintenance) prescription to become eligible for the 90 day maintenance fill for two-month co-pay. This is contrary to the Health Insurance Handbook that was mailed to you at the end of September. Confirmation of this information can be found at: <http://kehpn.ky.gov> listed under "Health Insurance - 2007 Plan Year", then under "Revisions to the Kentucky Employees Health Plan Handbook".*

Retirees Under Age 65

New Smoking Cessation Program for Retirees Who Are Enrolled in KEHP

The Kentucky Employees Health Plan has partnered with Express Scripts to provide up to 12 weeks of over-the-counter Nicotine Replacement Therapy (NRT) at a \$5.00 co-pay per two-week supply.

Eligibility for covered members (at least age 18) to receive NRT requires enrollment and continued participation in a Cooper Clayton Smoking Cessation Program through a local health department or participation in the Kentucky Tobacco Quit Line Program.

For more details, you may access the Smoking Cessation brochure through KTRS' website: www.ktrs.ky.gov. If you have questions regarding eligibility and benefits with this program, you may contact the Department for Employee Insurance, Member Services Branch, at 888-581-8834. To find out where a Cooper Clayton Program is offered in your area, contact your local health department or the Kentucky Tobacco Quit Line at 1-800-QuitNow (800-784-8669).

All Retirees

Divorce and Changing Your Retirement Option within the Sixty-Day Deadline.

Divorce can serve as a qualifying event under which a retired member may change his or her retirement option to the actuarial equivalent of a single life annuity. This opportunity is contingent upon the ex-spouse being named as the member's primary beneficiary. If you are preparing for divorce and if your spouse is named as your primary beneficiary, you should contact KTRS immediately to learn what changes to your retirement options you might have. You have only sixty days from the date that a court first enters an order of divorce (dissolution of marriage) by which to file a request with KTRS to change your retirement option. It is very important to note that the sixty-day period begins immediately from the first order of divorce and not from any later orders of the court settling property or child custody and support issues.

Retirees Age 65 & Over
and for those Retirees Under Age 65 who are Medicare Eligible

**2007 KTRS Group Medicare Advantage
Private Fee-For-Service Plan (PFFS)**

As reported to you in the last newsletter, the Medicare Modernization legislation opened a window of opportunity for the offering of a group insurance plan called the Group Medicare Advantage Private Fee-For-Service Plan. In order to entice insurance carriers to cover under-served Medicare beneficiaries living in rural areas throughout the United States, Medicare began providing approximately 10% more in subsidies for the Group Medicare Advantage Private Fee-For-Service Plan compared to traditional Medicare Parts A and B. The Group Medicare Advantage Private Fee-For-Service Plan is not like the off-the-shelf Medicare Advantage PPOs and HMOs that are being marketed to seniors on an individual basis, as it has been customized to be the same as the existing KTRS plan design elements with no participant out-of-pocket cost changes.

Also reported to you in the last newsletter, KTRS issued a Request for Qualifications (RFQ) soliciting responses for an insured Group Medicare Advantage Private Fee-For-Service Plan for calendar year 2007 to further explore this opportunity. The solicitation was drafted in accordance with the existing Medicare Eligible Health Plan design. The RFQ process confirmed that the existing plan design, out-of-pocket costs, and physician/hospital access would not materially change. The RFQ also confirmed that the KTRS Medical Insurance Fund should reap a projected \$11 million savings in 2007 by converting to a Group Medicare Advantage Private Fee-For-Service Plan. Cost containment initiatives such as this, that do not shift costs to our retirees or to the KTRS Medical Insurance Fund, are necessary to help maintain the integrity and stability of the retiree health benefit beyond the next two years.

The successful respondent to this RFQ is Humana, and effective January 01, 2007 they will provide an insured Group Medicare Advantage Private Fee-For-Service Plan to all participants enrolled in both Part A and Part B of Medicare. The KTRS self-funded Medicare Eligible Health Plan will remain intact for prescription drug coverage and for those retirees who are not eligible for both Part A and Part B of Medicare.

It is important to point out what stays the same for 2007:

- ❖ Still, no medical provider network required.
- ❖ No change in co-payments.
- ❖ No change in deductibles.
- ❖ No change in coinsurance.
- ❖ No change in out-of-pocket annual maximums.
- ❖ No change in plan design elements.
- ❖ The KTRS self-funded Medicare Eligible **Prescription** Drug Plan, currently administered by Medco, will remain intact for all eligible retirees age 65 and over, unless they are enrolled in one of the Medicare Part D drug plans.
- ❖ Participants are still in the Medicare program.
- ❖ Participants will still have the same Medicare rights and protections.
- ❖ Participants will still get all the regular Medicare covered services.
- ❖ You will still be required to pay your monthly Medicare Part B premium.

It is important to point out what will improve for 2007:

- ❖ Participants will now have access to a 24-hour nurse line.

**2007 KTRS Group Medicare Advantage
Private Fee For Service Plan continued ...**

- ❖ Participants will now have access to the Silver Sneakers fitness program.
- ❖ Participants will be able to voluntarily enroll in disease management programs.
- ❖ For covered spouses and retirees not eligible for the full supplement, the monthly premium has been reduced from \$315 to \$283.

***It is important to anticipate
your questions:***

What do you need to do to enroll?

- ▶ **Nothing.** For those currently participating in the KTRS MEHP and those currently on KTRS medical coverage but turning age 65 in January, you will be automatically enrolled for January 01, 2007. You will not have to complete a paper application.

**What if I am not enrolled in both
Part A & B of Medicare?**

- ▶ You will not be eligible for the PFFS but will continue on the KTRS self-funded MEHP to be administered by Humana and Medco in 2007.

When will I get my new ID card?

- ▶ ID cards will be mailed around the Christmas holiday.

**What do I do with my other insurance
cards?**

- ▶ Continue to use your Aetna insurance card for all doctors and hospital visits through December 31, 2006, and your provider should continue to bill Medicare first. After December 31, 2006 please destroy all of your Aetna insurance cards as they are no longer valid.
- ▶ Beginning January 01, 2007 use your Humana insurance card for all doctors and hospital visits.
- ▶ Continue to use your Medco card for prescriptions you purchase in 2007.

- ▶ Keep your Social Security card and your Medicare card in a safe place, but they should not be presented to your doctor or your hospital after December 31, 2006, unless you are not enrolled in Medicare Part A and/or Part B.

**Should I be concerned whether my doctor
accepts Humana's Group Medicare
Advantage Private Fee-For-Service Plan?**

- ▶ Your provider may require some communication and education efforts about Group Medicare Advantage Private Fee-For-Service Plans. There are no provider networks associated with a Group Medicare Advantage Private Fee-For-Service Plan like there are for PPOs and HMOs. A KTRS participant may go to any provider that accepts Medicare and accepts the Humana Group Medicare Advantage Private Fee-For-Service Plan. There is no financial incentive or disincentive for a provider to not accept a Medicare Advantage Private Fee-For-Service Plan because they are paid under the same arrangements that exist with traditional Parts A and B of Medicare. If a provider treats a patient covered under a Group Medicare Advantage Private Fee-For-Service plan, then by their actions they have agreed to accept the payment terms. KTRS and Humana have already partnered in a strategic communication and education plan and are currently analyzing over 13,000 providers previously utilized by KTRS retirees.
- ▶ Currently, KTRS takes calls on a regular basis from providers who do not understand our existing self-funded Medicare Eligible Health Plan and indicate that they do not accept our plan. With communication and education, those issues are quickly alleviated.
- ▶ When talking with your provider, ask the Office Manager (not the Receptionist) if they accept Humana's Group Medicare Advantage Private Fee-For-Service Plan. Tell them that this plan is not an HMO or a PPO. If you or your providers have questions or concerns, please call toll-free at 1-866-291-9714. Humana will work with your provider to educate them that this plan is no different than accepting traditional Medicare Parts A and B.

Retirees Age 65 & Over
and for those Retirees Under Age 65 who are Medicare Eligible

**Open Enrollment for Medicare
Eligible Retirees & Spouses**

This is to inform Medicare eligible retirees and spouses, who are age 65 or older and **not** already enrolled in the KTRS Medicare Eligible Health Plan (MEHP) that November 15, 2006 begins Open Enrollment. **If you are Medicare eligible, not currently enrolled in medical coverage through KTRS and wish to have coverage effective January 1, 2007, you must contact KTRS for an enrollment form.** The completed enrollment form must be returned to this office by December 31, 2006 for coverage to be effective January 1, 2007. During Open Enrollment you can enroll in this coverage without providing proof of a qualifying event. To enroll outside of open enrollment you must show evidence of a qualifying event. **If you are currently enrolled in medical coverage through KTRS, you do not have to do anything.**

For the calendar year 2007, KTRS will offer Medicare eligible retirees and spouses medical coverage through a Medicare Advantage Private Fee For Service Plan administered by Humana (*see related article*) and prescription coverage administered by Medco. The 2007 monthly cost for retirees and spouses covered by the KTRS MEHP is \$283.00 per person as compared to \$315.00 in 2006. KTRS will pay the full premium rate for retirees with 20 or more years unless you were hired July 1, 2002 or after. Retirees with less than 20 years of service credit will pay a premium based on years of service credit. Spouses of KTRS retirees pay full premium cost for their coverage.

**Medicare
Rates for 2007**

The standard Medicare Part B monthly premium will be \$93.50 in 2007, an increase of \$5.00 or 5.6 percent from the current \$88.50 Part B premium, considerably lower than was earlier projected. This premium is the smallest percent increase in the Part B premium since 2001 and less than half of the dollar increase in the premium for 2006.

In 2007, approximately 4 percent of Medicare Part B enrollees with higher incomes will pay a higher Part B premium based on their income. The income-related Part B premiums for 2007 will be \$106.00, \$124.70, \$143.40, or \$162.10, depending on the extent to which an individual beneficiary's income exceeds \$80,000 (or a married couple's income exceeds \$160,000), with the highest premium rates only paid by less than 1 percent of beneficiaries whose incomes are over \$200,000 (or \$400,000 for a married couple). A beneficiary who pays the highest income-related premium in 2007 would pay \$1,945 per year in Part B premiums, but is estimated to receive an average of \$4,363 in Medicare Part B benefits.

The above information was obtained from the September 12, 2006 Medicare (CMS) Fact Sheet.

Please note: Serious gaps in KTRS medical coverage can occur for those retirees and/or spouses who choose not to enroll in Medicare Part B when first eligible or who fail to continue to pay their Medicare Part B premium each month.

Medicare Part D Update

The KTRS self-funded Medicare Eligible Prescription Drug Plan, currently administered by Medco, will remain intact in 2007 and continue to be the primary payer of drug claims for all eligible retirees over the age of 65, unless they are enrolled in one of the Medicare Part D drug plans. KTRS has received \$5.9 million in Medicare Part D subsidies for the first six months of 2006, and these funds have been credited to the KTRS Medical Insurance Fund.

All Retirees
Change in Identification of Retirement Benefits

The Commonwealth of Kentucky recently changed its payroll and purchasing system from a software-based system to a web-based system, because the web-based system is more efficient and less costly. However, as a result of this change, KTRS retiree benefit deposits (*or Electronic Funds Transfer / EFT's*) are now identified as being made by the "Finance Cabinet" rather than "Kentucky Teachers' Retirement System." This new reference to the Finance Cabinet does not represent a change from the way retirement benefits were paid in the past. KTRS is still paying the retirement benefits with the Finance Cabinet merely assisting in the processing of those payments, as has always been done. The reference to the Finance Cabinet on your bank statement in no way affects the security of your retirement benefit, its source of payment, or the funding of the retirement system.

KTRS Holiday Schedule

The Kentucky Teachers' Retirement
System will be closed to observe the
upcoming holidays:

Thanksgiving

Thursday & Friday,
November 23 -24, 2006

Christmas

Monday & Tuesday,
December 25 -26, 2006

New Year's

Friday & Monday,
December 29, 2006 &
January 1, 2007

KTRS New Office Hours
Monday - Friday
8:00am - 5:00pm

Effective October 1, 2006, the KTRS office began its new schedule of 8 a.m.-5 p.m., Eastern Time, Monday – Friday. The new schedule provides KTRS staff with extra time each day to better serve members who live in the Central Time Zone.

2007 EFT Dates

January 29	July 27
February 26	August 29
March 29	September 27
April 27	October 29
May 29	November 28
June 28	December 28

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